

State Employee Benefits Committee
Monday, March 11, 2013 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on March 11, 2013, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Vicki Ford, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Dawn Davis, OMB, SBO
Leslie Ramsey, OMB, SBO
Rebecca Reichardt, OMB, BDPA
Jessica Eisenbrey, OMB
Howard Atkins, Segal
Andrew Kerber, DOJ
Carolyn Berger, Justice, AOC
Chip Flowers, State Treasurer
Erika Benner, Deputy State Treasurer
Karen Weldin Stewart, Insurance Commissioner
Lorilee Harrison, DOI
Michael Morton, Controller General
Tom Cook, Secretary of Finance
David Craik, Pension Office
Kim Vincent, Pension Office
Karin Faulhaber, OMB, PHRST
Mary Cooke, SEBAC

Judy Anderson, DSEA
Kristin Dwyer, DSEA
Chris Ulrich, UD
Jennifer Ward, Highmark BCBS DE
Julie Caynor, Aetna
Mike North, Aetna
Joe Morocco, HMS
Paula Roy, Roy Assoc.
Lisa Carmean, City of Milford
Kim Hawkins, City of Dover
Rich Phillips, DSEA, R
Jim Testerman, DSEA, R
Edward Redmond, DSEA, R
Roxie Smiley-Carter, DSEA, R
Carol McFann, DSEA, R
Cynthia Angermeier DSEA, R
Karol Powers-Case, DRSPA
Hugh Ferguson, DRSPA
Henry Smith, III, DHSS
Dave Leiter, DHSS
Sandy Richards, AFSCME, R
Vincent McCann, AFSCME, R

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the February 22, 2013 SEBC meeting. Controller General Morton made the motion and Secretary Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman reported that letters were sent out on March 5, 2013 to 443 Flexible Health Care participants required to substantiate their 2012 expenses. In most cases, if the Benny card is used at the doctor's office or pharmacy there is no need to provide receipts; however, if the card is used for dental work, for example, the payment does not match our set copay structure and receipts must be submitted for the expenses.

Ms. Lakeman announced that there is a video in the works to help boost Open Enrollment awareness. The video, prepared by Segal, will be available on the Statewide Benefits Office website to help assist employees in making educated decisions on selecting their health care plans.

Group Health Program Eligibility and Enrollment Rules (Proposed Changes to Sections 5.14 and 5.21)

Ms. Lakeman commented that after much internal discussion on item 5.14, additional language was added to provide clarification of when an employee or pensioner made payment and to provide citation to Delaware Code. There are no proposed changes to item 5.14 as it pertains to the refund periods. Section 5.14c addresses refund of premiums for an ineligible dependent such as an ex-spouse or over age 26 adult child. A refund period beyond 60 days is not being proposed because federal law requires that terminated members be advised of their rights with regards to COBRA continuation within 60 days. Also, claims paid by the health care carriers can only be reprocessed within 60 days of the date of service.

It is recommended that Item 5.21 in regards to the collection period be changed from a three year collection period to a one year collection period. The rule currently states that if the amount owed exceeds \$1,000, then the employee or pensioner shall be provided the opportunity to have the amount owed deducted in installments over a period of time not less than twelve months. Treasurer Flowers asked if the \$1,000 amount could be reduced to \$500. Ms. Lakeman confirmed that regardless of the amount that is owed, the employee is always provided the opportunity to repay over a twelve month period. Director Visalli advised that a vote would be conducted on the changes including the reduction to \$500 after the Public Comment.

FY14 Group Health Insurance Program Planning (handout)

Ms. Rentz reviewed the slide presentation objectives which included a review of budget projections, additional cost and savings considerations, options to close the deficit gap, a six year snapshot, the FY2014 rates with the \$15.4M fund General Fund contribution and the FY2014 DelaWELL program incentive structure.

The projections are based on the revenue generated from the premiums and the member claims experience. The FY 2013 projected revenue is \$583.1M and the expenditures are \$593.1M leaving a gap of \$10.0M. The projected year end health fund balance based upon projected claims experience and additional revenue through June 30, 2013 is \$32.0M.

Based upon the membership and claims experience through December 2012, the FY2014 revenue is projected to be \$607.8M and expenditures are projected to be \$620.3M. This leaves a deficit of \$12.5M. The revenue projections reflect rate adjustments including the \$15.4M General Fund employer contribution which yields \$21.3M in total employer contribution and a corresponding \$3.4M employee contribution. A slide was added containing a pie chart to illustrate how the shortfall could be funded. The percentage split is as follows: 57.3% employer, 9.1% employee and 33.6% surplus.

Ms. Rentz addressed additional cost considerations which include mandatory preventive services at 100% on Non-Grandfathered CDH Plans at a cost of \$6,500 and the option to cover implantable contraceptives on the Aetna plans at a cost of \$66,000. A savings consideration is to reintroduce the Prescription Generic Copay Waiver Coupon, which was offered to participants in early 2012. This comes at an estimated savings of \$90,000.

The three options discussed at the February 22 SEBC meeting to close the remaining balance of \$12.5M were shown as follows:

Option A:

Implement One or More Medical/Prescription Plan Changes:

Prescription Copay Changes	\$ 1.3M - \$6.3M
Medical Copay, Co Insurance & Deductible Changes	\$ 4.7M - \$9.1M*

*Assumes savings if all changes as proposed are approved. Changes to a portion of the three options will result in lower savings

Option B:

Implement One or More Medical/Prescription Plan Changes plus Utilize a Portion of Projected FY13 Year End Group Health Fund Balance.

Example:

Prescription Copay Changes	\$ 1.3M
Medical Copay, Co Insurance & Deductible Changes	\$ 4.7M
Surplus	\$ 6.5M

Option C:

Utilize a Portion of Projected FY13 Year End Group Health Fund Balance \$12.5M

A six year snapshot of revenue versus expenses was shown to the Committee. The FY2014 deficit gap of \$12.5M is expected to increase to a \$48.0M gap in FY2015. Treasurer Flowers acknowledged that next year the problem would increase. Director Visalli stated that if experience continues to be better than projected, it is possible that the FY2015 gap will be less than currently projected. Justice Berger asked about the savings in the Wellness plan. Ms. Lakeman confirmed that the savings are included in the expenditure projections.

Ms. Rentz reviewed the proposed FY2014 plan rates. The rates are based on the \$15.4M General Fund contribution. Enrollment totals have been added as per the Treasurer's request and rounding adjustments have been made. The lowest increase is to the Special Medicfill plan in the amount of \$0.66 per month. This increase will take place on January 1, 2014 for the pensioners, since the plan switched to a calendar year plan in January of 2013. The largest increase of \$12.88 per month is for Highmark BCBSO PPO family coverage. DelaWELL Incentive Rewards will remain the same. No additional funding is required at this time. Ms. Lakeman added that the Early Bird Incentive option was popular and it is planned to offer it again in December 2013.

In conclusion, Ms. Rentz listed the four areas that required Committee vote.

1. Approve Cost and Coverage Considerations for FY14
 - Women's Preventive Services for CDH plans – Required
 - Implantable Contraceptive Device Coverage for Aetna HMO Plan
 - Generic Prescription Copay Waiver Campaign
2. Approve FY14 Group Health Plan Rates as presented
3. Approve FY14 DelaWELL Silver and Gold Level Incentives
4. Approve Utilization of One-Time Funds in Surplus to Cover Funding Shortage as needed

SEBAC Comment

- SEBAC supports the proposed amended rule changes.
- SEBAC supports adoption of the following enhancements for FY 2014: generic copay waiver campaign and the implantable contraceptive coverage on Aetna and CDH Gold and HMO plans, and recommends that SEBC give serious future consideration to implementing payment for 100% of preventive services on grandfathered plans, should the end of year surplus allow.
- SEBAC supports Option C (using a portion of the projected FY 2013 year end group health fund balance) to close the projected deficit for FY 2014.
- SEBAC supports continuing the Delawell incentives, and further supports expanding the wellness initiatives to apply to Medicare-eligible retirees to the fullest extent possible, possibly including incentives for them.

Public Comment

Mr. Phillips, DSEA, R, stated that the cost of gas, heat, food and property taxes have increased. There has not been a pension increase in five years. Many have been retired for fifteen to twenty years. Director Visalli commented that there has never been a governor to recommend a pension increase as this is done during the legislative mark up period. She asked that Mr. Phillips please advise the other retirees of DSEA.

Ms. Powers-Case, DRSPA, commented that she is on Medicare and asked that the Committee consider that many retirees are older and sick and have copays of \$1,000 or more per year. Director Visalli ensured her that there were no increases to copays this year.

Mr. Ferguson, DRSPA, commented that he and other retirees of the public schools admire the Committee and trust that they will consider the cost of medical coverage and prescriptions for retirees and employees.

Mr. Leiter, DHSS, agreed with all the comments and hopes that the Committee votes for Option C, to use the surplus to close the deficit gap.

Director Visalli requested a motion to approve the proposed cost and coverage considerations for FY2014 which include: mandatory women's preventive services for CDH plans, implantable contraceptive device coverage for the Aetna HMO plan and the Generic Copay Waiver Campaign. Secretary Cook made the motion and Treasurer Flowers seconded the motion.

Treasurer Flowers asked if the approval of the FY2014 Group Health Plan rates as presented and utilization of one-time funds in surplus to cover funding shortage could be combined since one depended on the other. All agreed and Director Visalli requested a motion to approve. Insurance Commissioner Stewart made the motion and Justice Berger seconded the motion.

Director Visalli requested a motion to approve the FY2014 DelaWELL Silver and Gold Level Incentives. Controller General Morton made the motion and Secretary Cook seconded the motion.

Director Visalli requested a motion to approve the proposed changes to items 5.14 and 5.21 of the Group Health Program Eligibility and Enrollment Rules, including the change from \$1,000 to \$500 in 5.21, as suggested today. Mr. Smith made the motion and Treasurer Flowers seconded the motion.

Upon unanimous voice vote all the proposed changes were approved.

Other Business

None.

Director Visalli reminded all that the next SEBC meeting date is scheduled for Monday, March 25, 2013. A motion to adjourn was requested. Treasurer Flowers made the motion and Controller General Morton seconded the motion. The meeting was adjourned at 2:50 p.m.

Respectfully submitted,

Dawn Davis
Administrative Secretary
Statewide Benefits Office, OMB